

**Red Clay Consolidated School District
Construction Projects**

**Independent Accountant's Report on
Applying Agreed-Upon Procedures**

June 30, 2008

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Independent Accountant's Report on Applying Agreed-Upon Procedures

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The Honorable Lillian Lowery
Secretary, Department of Education
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We have performed the procedures enumerated below, which were agreed to by the Red Clay Consolidated School District (the School District), the Office of Auditor of Accounts, and the State of Delaware Department of Education on the District's construction projects. The procedures were performed solely to assist the specified parties in evaluating the School District's compliance with criteria from the State of Delaware Fixed Asset Policy Manual, the State of Delaware Department of Education School Construction Technical Assistance Manual, the Delaware Code, and the State of Delaware Budget and Accounting Manual. The School District's management is responsible for compliance with those requirements.

This agreed-upon procedures attestation engagement was performed in accordance with *Government Auditing Standards* (2003), issued by the Comptroller General of the United States and the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. Determine if the School District's policies and procedures for identifying, tracking, and recording capital assets are adequate.

Our procedures disclosed an instance of noncompliance that resulted in finding #08-01 and related recommendations. See Appendix A.

2. Determine whether the School District's construction project records and files (current and prior fiscal years) are accurate.

Our procedures disclosed an instance of noncompliance that resulted in finding #08-02 and related recommendations. See Appendix A.

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The Honorable Lillian Lowery

3. Determine if expenditures are accurately stated and are made in accordance with the State's Fixed Asset Policy Manual and the intent of the project scope mandated by the General Assembly, the Department of Education, and the local Board of Education.

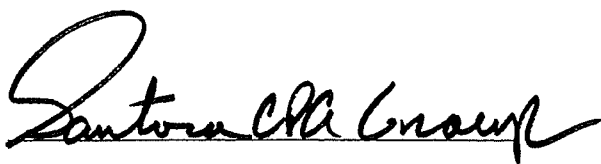
Our procedures disclosed an instance of noncompliance that resulted in finding #08-03 and related recommendations. See Appendix A.

4. Determine whether the School District's construction project records and files include only active construction projects as of June 30 of the current fiscal year. Ensure that completed projects have been appropriately closed out of construction and added to the State's Fixed Asset Accounting System (FAAS).

Our procedures disclosed no instances of noncompliance that resulted in findings and recommendations.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with specified laws. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Red Clay Consolidated School District management and Board Members and should not be used by those who have not agreed to the procedures and have not taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited. This report, as required by statute, was provided to the Office of the Governor, the Office of the Controller General, the Office of the Attorney General, the Office of Management and Budget, the Department of Finance, the State Treasurer's Office, and the Office of Auditor of Accounts.

A handwritten signature in black ink, appearing to read "Santora CPA Group", written in a cursive, flowing style.

Newark, Delaware
January 26, 2009

Red Clay Consolidated School District
Schedule of Findings and Recommendations

Procedure Agreed Upon #1:

Determine if the School District's policies and procedures for identifying, tracking, and recording capital assets are adequate.

Finding #08-01:

Criteria

The State of Delaware Capital Asset Accounting Manual requires each state agency to establish internal written procedures and controls necessary to implement and monitor prescribed capital asset accounting and reporting policies, guidelines, and standards.

Condition

During our required documentation of the School District's internal controls as they relate to the recording of fixed asset additions to the State's FAAS, we noted that the current process for recording additions does not provide for a supervisor's approval of the amounts input. Currently, additions are added to FAAS that represent the current year capitalizable expenditures. The accuracy of the amounts and descriptions entered are not currently reviewed and approved by management to ensure accuracy and completeness.

Cause

Proper internal control procedures are not in place within the School District to ensure that fixed assets are captured correctly within the State's FAAS.

Effect

Fixed assets may be misstated and may not include all expenditures that should be capitalized within the State's FAAS.

Recommendation

The School District needs to implement an internal control process whereby the fixed asset amounts and descriptions entered into FAAS are reviewed by management, or their designee, to verify accuracy and completeness.

School District Response:

The Supervisor of Construction, a member of management, currently prepares the information for recording additions, and they are input by a specialist in the Business Office. Internal policy has been developed to require a second management review in the Business Office.

Procedure Agreed Upon #2:

Determine whether the School District's construction project records and files (current and prior fiscal years) are accurate.

Finding #08-02:***Criteria***

Proper administration of school district construction projects requires the following:

Title 29, Section 507(b) of the Delaware State Code, states "The Office of Management and Budget shall not approve final payment for any construction project until permanent archival-quality copies of the architectural and engineering drawings have been deposited with the Delaware Public Archives", and

Section 2.0, Paragraph 5.4 of the State of Delaware Department of Education School Construction Technical Assistance Manual, states "Local school districts shall submit to the Department of Education a copy of the electronic AutoCAD files. Electronic AutoCAD files shall be submitted no later than 30 calendar days after the completion of any major renovation or an addition to an existing facility".

Condition

During our testing of the aforementioned requirements for A.I. Dupont Middle School, A.I. Dupont High School, Baltz Elementary School, Conrad Middle School, Dickinson High School, Forest Oak Elementary School, Linden Hill Elementary School, Highlands Elementary School, Mote Elementary School, North Star Elementary School, Telegraph Road Intensive Learning Center, and Richey Elementary School, we noted that the School District neither deposited the permanent archival-quality copies of the architectural and engineering drawings with the Delaware Public Archives, nor submitted to the Department of Education a copy of the electronic AutoCAD files.

Cause

The School District does not have proper policies in place to ensure that the archival-quality copies of the architectural and engineering drawings have been deposited with the Delaware Public Archives and that the electronic AutoCAD files are submitted within 30 calendar days of project completion.

Effect

Records required to be maintained by the Delaware Public Archives and the Department of Education are incomplete or not completed in a timely manner.

Recommendation

The School District should archive permanent copies of the architectural and engineering drawings so proper approval may be given for final payment by the Office of Management and Budget. The School District should also submit a copy of the electronic AutoCAD files to the Department of Education no later than 30 calendar days after the completion of any major renovation or an addition to an existing facility.

School District Response:

Three of the schools listed, A.I. Dupont Middle School, Telegraph Road Intensive Learning Center, and Dickinson High School have not been paid in full. In the case of the other schools listed, the School District has received final drawings but is in the process of converting to electronic files in order to submit to the Department of Archives and the Department of Education.

Procedure Agreed Upon #3:

Determine if expenditures are accurately stated and are made in accordance with the State's Fixed Asset Policy Manual and the intent of the project scope mandated by the General Assembly, the Department of Education, and the local Board of Education.

Finding #08-03:***Criteria***

The State of Delaware, Division of Accounting has determined that the cost associated with asbestos abatement be expensed in the year incurred, and therefore, excluded from a district's Construction Work in Progress (CWIP) and fixed assets.

Condition

The School District capitalized the asbestos abatement costs of Conrad Middle School, A.I. Dupont High School, Baltz Elementary School, Brandywine Springs Elementary School, H.B. Dupont Middle School, Heritage Elementary School, McKean High School, Shortlidge Academy, Stanton Middle School, and Telegraph Road Intensive Learning Center projects.

Cause

The School District was unaware that asbestos abatement costs were not capitalizable expenses and should not be added to the district's CWIP and fixed assets.

Effect

Expenditures that are not capitalizable may be improperly included in CWIP and fixed asset costs included in the State's FAAS.

Recommendation

The School District should exclude the costs of asbestos abatement from CWIP and fixed assets, and expense these costs as incurred.

School District Response:

The policy that asbestos abatement cannot be capitalized is not evident in the State's Capital Asset Training or the State's Capital Asset Accounting Policy. In the State's Budget and Accounting Policy Manual, examples of expenditures to be capitalized as improvements to the buildings are detailed. The School District believed the final category, "Other costs associated with the above improvements; i.e. architectural fees, construction management fees, etc." included asbestos abatement as it was required and directly related to the interior renovations completed at the school buildings.

Appendix B

Red Clay Consolidated School District

Schedule of Prior Year Findings

The following schedule summarizes the prior year findings and status of the prior year findings.

Prior Year Finding	Recommendation	Status of Prior Year Finding
Finding #07-01	It was recommended that the School District adopt a policy to review each bid package to ensure compliance with the bid bonding requirements of Title 29, Section 6269 (d) (8) regarding returning performance bonds to unsuccessful bidders.	The School District developed a policy to review each bid package to ensure compliance with the bid bonding requirements of Title 29, Section 6269 (d) (8). Implemented
Finding #07-02	It was recommended that the School District adopt a policy to review each bid package to ensure compliance with the bid bonding requirements of Title 29, Section 6269 (d) (9) regarding timing of obtaining performance bonds.	The School District developed a policy to review each bid package to ensure compliance with the bid bonding requirements of Title 29, Section 6269 (d) (9). Implemented
Finding #07-03	It was recommended that School District personnel attend Capital Asset Training in May to be presented by the Division of Accounting (DOA). During this training, the DOA will specifically address the topic of payroll within CWIP.	School District personnel attended Capital Asset Training in May, which addressed payroll within CWIP. Per testing and analysis of the expenditures incurred during fiscal year 2008, no payroll costs were included in the CWIP report. Implemented
Finding #07-04	It was recommended that the School District adopt a policy to ensure that the GAAP package is reviewed against all supporting schedules and reports.	The School District developed procedures to reconcile GAAP reports. A GAAP package was prepared in August to ensure that assets added agree with deletions from CWIP. New internal policy dictates one point of contact for capital asset management of land and buildings as related to CWIP. Implemented

Prior Year Finding	Recommendation	Status of Prior Year Finding
Finding #07-05	It was recommended that the School District adopt a policy to ensure that the GAAP Report of Fixed Assets is reviewed each year against all supporting schedules and reports.	The School District developed procedures to reconcile GAAP reports. School District personnel attended Capital Asset Training, and a new internal policy dictates one point of contact for capital asset management of land and buildings as related to CWIP. A reconciliation of the GAAP Report of Fixed Assets is now prepared. Implemented

Status Key

Implemented

The concern has been addressed by implementing the original or an alternative corrective action.

Not Implemented

The corrective action has not been initiated.

Partially Implemented

The corrective action has been initiated, but is not complete, and the auditor has reason to believe management fully intends to address the concern.

Red Clay Consolidated School District

Schedule of Construction Projects

Project Name	Fiscal Year	Original Funding Amount	De-auth Funding Amount	Total Project Funding to Date	Expended Current Fiscal Year	Expended Prior Fiscal Years	Total Project Expended to Date	Total Unspent as of 6/30/08
Shortlidge Academy	2004	\$ 127,500	\$ -	\$ 127,500	\$ -	\$ 127,500	\$ 127,500	\$ -
Shortlidge Academy	2006	3,767,820	62,000	3,829,820	551,476	3,077,975	3,629,451	200,369
McKean High School	2004	715,700	-	715,700	-	715,700	715,700	-
McKean High School	2005	16,575,200	270,880	16,846,080	1,394,197	15,262,228	16,656,425	189,655
Conrad Middle School	2004	1,136,800	-	1,136,800	-	1,136,800	1,136,800	-
Conrad Middle School	2005	14,018,600	(496,552)	13,522,048	2,341,273	10,859,483	13,200,756	321,292
Dickinson High School	2004	784,100	-	784,100	-	784,100	784,100	-
Dickinson High School	2005	18,408,400	(105,604)	18,302,796	2,246,802	15,878,352	18,125,154	177,642
JD Athletic Fields	2006	100,000	-	100,000	-	-	-	100,000
Forest Oak Elementary	2004	4,954,200	9,231	4,963,431	5,045	4,958,386	4,963,431	-
Highlands Elementary	2003	2,904,600	289,936	3,194,536	-	3,194,536	3,194,536	-
Linden Hill Elementary	2004	4,512,000	209,986	4,721,986	1,655	4,720,331	4,721,986	-
Marbrook Elementary	2004	136,000	-	136,000	-	136,000	136,000	-
Marbrook Elementary	2006	3,640,500	(270,000)	3,370,500	2,604,329	208,268	2,812,597	557,903
Richardson Park & ILC	2004	307,800	-	307,800	-	307,800	307,800	-
Richardson Park & ILC	2005	461,700	-	461,700	19,254	424,845	444,099	17,601
Richardson Park & ILC	2006	7,779,900	(200,000)	7,579,900	1,495,577	5,578,368	7,073,945	505,955
Skyline Middle School	2004	268,200	-	268,200	-	268,200	268,200	-
Skyline Middle School	2006	7,181,000	(408,000)	6,773,000	2,065,176	4,585,053	6,650,229	122,771

Red Clay Consolidated School District

Schedule of Construction Projects (Continued)

Project Name	Fiscal Year	Original Funding Amount	De-auth Funding Amount	Total Project Funding to Date	Expended Current Fiscal Year	Expended Prior Fiscal Years	Total Project Expended to Date	Total Unspent as of 6/30/08
Telegraph Road LC	2004	\$ 135,800	\$ -	\$ 135,800	\$ -	\$ 135,800	\$ 135,800	\$ -
Telegraph Road LC	2006	203,700	-	203,700	37,167	149,204	186,371	17,329
Telegraph Road LC	2007	3,433,800	-	3,433,800	3,071,091	40,701	3,111,792	322,008
Warner Elementary	2004	7,945,000	1,182,604	9,127,604	497,949	8,626,743	9,124,692	2,912
Wilmington Campus	2004	850,700	-	850,700	-	850,700	850,700	-
Wilmington Campus	2006	1,276,000	-	1,276,000	489,914	786,086	1,276,000	-
Wilmington Campus	2007	13,953,600	(1,083,000)	12,870,600	1,903,665	277,505	2,181,170	10,689,430
Wilmington Campus	2008	1,431,200	-	1,431,200	-	-	-	1,431,200
A.I. Dupont High School	2004	497,300	-	497,300	-	497,300	497,300	-
A.I. Dupont High School	2005	10,169,900	620,000	10,789,900	1,608,126	9,142,186	10,750,312	39,588
Richey Elementary School	2000	109,100	(20,147)	88,953	-	88,953	88,953	-
Richey Elementary School	2004	4,995,300	(12,526)	4,982,774	1,653	4,978,100	4,979,753	3,021
Lewis Elementary School	2004	143,200	-	143,200	-	143,200	143,200	-
Lewis Elementary School	2005	214,800	-	214,800	831	184,496	185,327	29,473
Lewis Elementary School	2006	4,017,360	228,000	4,245,360	1,073,337	3,054,595	4,127,932	117,428
Brandywine Springs	2004	17,800	-	17,800	-	17,800	17,800	-
Brandywine Springs	2006	26,800	-	26,800	3	26,797	26,800	-
Brandywine Springs	2007	451,900	(28,287)	423,613	411,263	9,240	420,503	3,110
North Star ES Land	2003	2,575,000	-	2,575,000	5,600	2,569,400	2,575,000	-
North Star Elementary	2004	10,764,300	37,306	10,801,606	61,918	10,738,107	10,800,025	1,581

Red Clay Consolidated School District

Schedule of Construction Projects (Continued)

Project Name	Fiscal Year	Original Funding Amount	De-auth Funding Amount	Total Project Funding to Date	Expended Current Fiscal Year	Expended Prior Fiscal Years	Total Project Expended to Date	Total Unspent as of 6/30/08
Stanton Middle School	2004	\$ 210,000	\$ -	\$ 210,000	\$ -	\$ 210,000	\$ 210,000	\$ -
Stanton Middle School	2005	315,000	-	315,000	58,401	256,599	315,000	-
Stanton Middle School	2006	5,309,400	(150,000)	5,159,400	3,457,876	846,368	4,304,244	855,156
Baltz Elementary School	2004	9,120,000	1,151,390	10,271,390	371,133	9,900,257	10,271,390	-
Mote Elementary	2004	5,134,700	(211,629)	4,923,071	6,345	4,914,974	4,921,319	1,752
Heritage Elementary	2004	160,200	-	160,200	-	160,200	160,200	-
Heritage Elementary	2006	4,290,700	(300,000)	3,990,700	2,553,846	312,572	2,866,418	1,124,282
H.B. Dupont Middle	2004	305,200	-	305,200	-	305,200	305,200	-
H.B. Dupont Middle	2006	457,700	-	457,700	111,900	311,049	422,949	34,751
H.B. Dupont Middle	2007	7,413,200	(250,000)	7,163,200	6,052,799	120,489	6,173,288	989,912
Meadowood ILC	2004	88,000	-	88,000	-	88,000	88,000	-
Meadowood ILC	2006	132,200	-	132,200	-	131,918	131,918	282
Meadowood ILC	2007	2,226,100	(45,000)	2,181,100	421,450	1,727,235	2,148,685	32,415
A.I. Dupont Middle	2004	131,300	-	131,300	-	131,300	131,300	-
A.I. Dupont Middle	2006	3,514,800	191,000	3,705,800	1,796,110	1,821,049	3,617,159	88,641
Total		\$ 189,801,080	\$ 671,588	\$ 190,472,668	\$ 36,717,161	\$ 135,778,048	\$ 172,495,209	\$ 17,977,459

Distribution of Report

Copies of the Red Clay Consolidated School District's Agreed-Upon Procedures Attestation Engagement have been distributed to the following public officials:

Executive Branch

The Honorable Jack A. Markell, Governor, State of Delaware
The Honorable Gary M. Pfeiffer, Secretary, Department of Finance
The Honorable Ann S. Visalli, Director, Office of Management and Budget
The Honorable Lillian M. Lowery, Secretary, Department of Education
Ms. Dorcell Spence, Associate Secretary, Finance and Administrative Services,
Department of Education
Ms. Trisha Neely, Director, Division of Accounting, Department of Finance

Legislative Branch

The Honorable Russell T. Larson, Controller General, Office of Controller General

Other Elective Offices

The Honorable Joseph R. Biden III, Attorney General, Office of the Attorney General
The Honorable Velda Jones-Potter, Treasurer, State Treasurer's Office

Other

Irwin J. Becnel, Jr., President, Red Clay Consolidated Board of Education
Martin A. Wilson, Sr., Red Clay Consolidated Board of Education
James Buckley, Vice President, Red Clay Consolidated Board of Education
Charles M. Cavanaugh, Red Clay Consolidated Board of Education
Paul Fleming, Red Clay Consolidated Board of Education
Gary C. Linarducci, Red Clay Consolidated Board of Education
Marguerite Vavalla, Red Clay Consolidated Board of Education
Robert H. Andrzejewski, Ed. D., Superintendent, Red Clay Consolidated Board of Education
Jill Floore, Chief Financial Officer, Red Clay Consolidated School District
Marcin Michalski, Major Capital Improvement Program, Program Administrator, Red Clay Consolidated School District